

SCOTTSDALE CITY COUNCIL
WORK STUDY SESSION MINUTES
TUESDAY, MAY 30, 2017



CITY HALL KIVA
3939 N. DRINKWATER BOULEVARD
SCOTTSDALE, AZ 85251

CALL TO ORDER

Mayor W.J. "Jim" Lane called to order a Work Study Session of the Scottsdale City Council at 5:01 P.M. on Tuesday, May 30, 2017, in the City Hall Kiva.

ROLL CALL

Present: Mayor W.J. "Jim" Lane
Vice Mayor Suzanne Klapp
Councilmembers Virginia L. Korte, Kathleen S. Littlefield, Linda Milhaven,
Guy Phillips, and David N. Smith

Also Present: City Manager Jim Thompson, City Attorney Bruce Washburn,
City Treasurer Jeff Nichols, City Auditor Sharron Walker, and City Clerk Carolyn
Jagger

MAYOR'S REPORT – None

PUBLIC COMMENT

- Sandra Schenkat read a letter (attached) in support of amending the local transaction privilege tax.
- Bob Pejman spoke in support of amending the local transaction privilege tax.

1. Amending Local Transaction Privilege Tax – Exempt Sales of Works of Fine Art

Request: Presentation, discussion, and possible direction to staff to initiate an amendment to the Model City Tax Code for inclusion in the City's local transaction privilege tax to conform with Arizona House Bill 2536 to exempt sales of works of fine art in Scottsdale when such sales are made to non-Arizona residents, for use outside of Arizona, when the vendor ships or delivers to a destination outside of Arizona.

Presenter(s): Teresa Hogle, Business Services Manager

Staff Contact(s): Jeff Nichols, City Treasurer, 480-312-2364, jenichols@scottsdaleaz.gov

NOTE: MINUTES OF CITY COUNCIL MEETINGS AND WORK STUDY SESSIONS ARE PREPARED IN ACCORDANCE WITH THE PROVISIONS OF ARIZONA REVISED STATUTES. THESE MINUTES ARE INTENDED TO BE AN ACCURATE REFLECTION OF ACTION TAKEN AND DIRECTION GIVEN BY THE CITY COUNCIL AND ARE NOT VERBATIM TRANSCRIPTS. DIGITAL RECORDINGS AND CLOSED CAPTION TRANSCRIPTS OF SCOTTSDALE CITY COUNCIL MEETINGS ARE AVAILABLE ONLINE AND ARE ON FILE IN THE CITY CLERK'S OFFICE.

Business Services Manager Teresa Hogle gave a PowerPoint presentation (attached) on the history and structure of transaction privilege taxes and the process for any proposed amendments.

Staff was directed to begin the process of initiating an amendment to the Model City Tax Code for inclusion in the City's local transaction privilege tax to conform with Arizona House Bill 2536.

2. Zoning Ordinance Bonus Provisions and Cultural Improvements Project

Request: Presentation, discussion, and possible direction to staff regarding the Bonus Provisions and Cultural Improvements Program of the Zoning Ordinance.

Presenter(s): Brad Carr, Principle Planner

Staff Contact(s): Randy Grant, Planning and Development Services Director, 480-312-2664, rgrant@scottsdaleaz.gov

Principle Planner Brad Carr gave a PowerPoint presentation (attached) on the bonus provisions and cultural improvements program of the Zoning Ordinance.

Several Councilmembers offered suggestions for adding bonus options, such as public parking, infrastructure improvements, enhanced transit and pedestrian amenities, shaded bus stops, bus pull out areas, public open space, other types of trust funds, better quality designs and construction; removing options that are not being used, such as workforce housing; and forming another task force to study the issue and bring back recommendations.

Some Councilmembers asked to have public art installations visible and accessible to the public.

Staff will work with the City Manager and come back with a presentation on a process for refining the bonus provisions of the Zoning Ordinance.

MAYOR AND COUNCIL ITEMS – None

ADJOURNMENT

The Work Study Session adjourned at 6:54 P.M.

SUBMITTED BY:



**Carolyn Jagger
City Clerk**

Officially approved by the City Council on

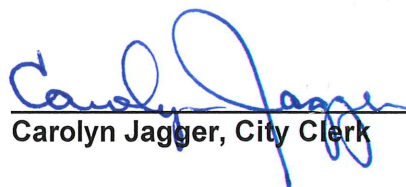
June 27, 2017

CERTIFICATE

I hereby certify that the foregoing Minutes are a true and correct copy of the Minutes of the Work Study of the City Council of Scottsdale, Arizona held on the 30th day of May 2017.

I further certify that the meeting was duly called and held, and that a quorum was present.

DATED this 27th day of June 2017.



Carolyn Jagger, City Clerk

Item 1

Amending Local Transaction Privilege Tax

Work Study

May 30, 2017

Brief History: Model City Tax Code (MCTC)

- Prior to 1984 each City maintained their own tax code.
- In 1984 the State Legislature created the Municipal Sales Tax Study Commission.
- This Commission looked at issues such as joint licensing, joint auditing and creating more uniformity across jurisdictions.
- Various drafts of a Tax Code were created and in 1987 the Model City Tax Code was adopted by Arizona cities.
- Scottsdale adopted the Model City Tax Code in April of 1987.

Structure of the Model City Tax Code

- Sections of code outline definitions, how to determine gross income, licensing, taxes by business types, administration and use tax.
- The Regulation section supplements and clarifies language within the code.
- Option Charts
 - Model Options allow cities and towns to eliminate language from the MCTC.
 - Local Options allow cities and towns to add or substitute language in the MCTC.

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Arizona Revised Statute: 42-6053

- The process for making changes to the Model City Tax Code has been defined in State Statute.
 - Present the proposed changes to the Arizona Department of Revenue.
 - The request is reviewed by the Municipal Tax Code Commission (MTCC).
 - The MTCC may hold hearings, may make modifications to the proposal and may accept or reject the proposed amendment.

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Reviews to Any Proposed Amendments

- Any suggested changes to the MCTC would be reviewed by:
 - The Arizona Department of Revenue
 - Arizona Cities and Towns
 - The League of Arizona Cities and Towns
 - The State Chamber of Commerce
 - The Arizona Tax Research Association
 - The Municipal Tax Code Commission

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Estimated Tax Revenue from Out of State Sales of Fine Art

	Total Tax Paid	Estimated Out of State Sales
FY 12/13	\$ 357,290	\$ 139,343
FY 13/14	\$ 349,050	\$ 136,130
FY 14/15	\$ 317,727	\$ 123,913
FY 15/16	\$ 278,887	\$ 108,766

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Possible Next Step: Adopt Local Option X

- Local Option X exempts:
 - *(t) sales of paintings, sculptures or similar works of fine art, provided that such works of fine art are sold by the original artist; and provided further that sales of "art creations", such as jewelry, macramé, glasswork, pottery, woodwork, metalwork, furniture, and clothing, when such "art creations" have a dual purpose, both aesthetic and utilitarian, are not exempt, whether sold by the artist or by another.*
- Scottsdale currently has not adopted Local Option X.

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Next Steps

- Continue with the current taxing authority in the MCTC.
- Propose a new option to the MCTC that allows exemption of Out of State Sales of Fine Art.
- Propose an amendment to the MCTC that eliminates Out of State Sales of Fine Art from taxation.

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Item 2

Zoning Ordinance Bonus Provisions and Cultural Improvements Program

City Council Study Session
May 30, 2017

Presenter: Brad Carr, AICP, LEED-AP

DISCUSSION

- *First Part:* Special Improvement bonuses available in certain zoning districts
- *Second Part:* Cultural Improvements Program



BACKGROUND

- Discussion regarding special improvements bonuses and public art component of Zoning Ordinance
- Direction to staff for future presentation and discussion regarding changes to the Zoning Ordinance provisions related to special improvements bonuses and/or Cultural Improvement Program requirements



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BACKGROUND

Why do we have "Special Improvements"?

- To allow development flexibility in Downtown Area to assist the City in achieving the Downtown Plan and developing more public amenities and infrastructure
 - Created during slow economy to encourage reinvestment and public improvements
 - Allows for development of public amenities that may otherwise not be constructed, or would occur on an elongated time table
 - Improvements can occur outside of just development project site to further enhance and unify public realm
 - Encourage design and environmental innovation



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BACKGROUND

What are "Special Improvements"?

- Specific improvements to a development project, or areas near a development project, that provide:
 - Assistance in achieving the goals and policies of City's General Plan and character area plans
 - Noteworthy investments in sustainable, high-quality urban design with enhanced public benefit
 - Improvement to the quality of life in the community



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SPECIAL IMPROVEMENTS BONUSES

- Planned Block Development Overlay District (PBD)
 - Available only to properties zoned Downtown (D)
 - Allows for bonuses through any of 5 elective paths
- Planned Airpark Core Development (PCP)
 - PCP district located within areas of Airpark Character Area Plan
 - Allows for bonuses through any of 11 elective paths
- Planned Regional Center (PRC)
 - PRC is located throughout city on properties of 25 acres or larger
 - Provisions mandate specific requirements to achieve bonuses



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SPECIAL IMPROVEMENTS BONUSES

Planned Block Development Overlay District (PBD)

- Bonuses for floor area, height and/or density

- Achieved through 5 elective paths
 - Additional Cultural Improvements Program contribution (above base 1% PBD requirement)
 - Workforce Housing
 - Open Space (area outside of setback requirements)
 - Compliance with Scottsdale's Green Construction Code
 - Special Improvements

- Value obtained through a formula to ensure equity



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SPECIAL IMPROVEMENTS BONUSES

Planned Airpark Core Development (PCP)

- Bonuses for floor area and/or height

- Achieved through 11 elective paths
 - Exceptional Right-of-Way Dedication
 - Major Infrastructure Improvements
 - Public Parking Areas
 - Public Gathering Spaces or Plaza Improvements
 - Public Art
 - Enhanced Transit Amenities
 - Pedestrian Amenities
 - Solar Energy Collection Systems
 - Landscape Water Conservation Systems
 - Electric Vehicle Charging Stations
 - Compliance with Scottsdale's Green Construction Code



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SPECIAL IMPROVEMENTS BONUSES

Planned Regional Center (PRC)

- Bonuses for floor area and/or height

- Achieved through compliance with 7 requirements
 - Vertically integrated mixed-use development
 - 5% of floor area shall be non-residential and located on ground floor
 - Minimum of 20% of floor area shall be residential or guest units
 - Additional 5% or more open space above base requirement
 - Additional building setbacks at perimeter and max. façade lengths
 - Underground parking or screened above-ground parking structures
 - Compliance with Scottsdale's Green Construction Code



SPECIAL IMPROVEMENTS BONUSES

Possible direction:

- Eliminate certain elective paths for achieving bonuses; and/or

- Increase scrutiny in any of the elective paths to achieve bonuses; and/or

- Create a specific path for achieving bonuses, similar to PRC; or

- Leave existing bonus achievement methods in place.



CULTURAL IMPROVEMENTS PROGRAM

- Required of all development utilizing Planned Block Development district in Downtown
- 1% of building valuation must be provided in artwork or contribution to Downtown Cultural Trust Fund or Art in Public Places Account (outside Downtown)
- Artwork reviewed and approved by Scottsdale Public Art
- Only artwork locations and settings reviewed and approved by Development Review Board
- Artwork installations and in-lieu contributions managed by Scottsdale Public Art



CULTURAL IMPROVEMENTS PROGRAM

Possible direction:

- Increase the contribution requirement for all new PBD/PCP developments utilizing bonuses; and/or
- Decrease the contribution requirement for all new PBD/PCP developments utilizing bonuses; and/or
- Modify requirements of placements of art; and/or
- Modify requirements for allocation of in-lieu funds; or
- Leave cultural improvements bonus provisions as is.



Zoning Ordinance Bonus Provisions and Cultural Improvements Program

City Council Study Session
May 30, 2017

Presenter: Brad Carr, AICP, LEED-AP

SPECIAL IMPROVEMENTS BONUSES

Utilization of bonus provisions

- PBD district
 - 7 total projects since initiation of bonus provisions (11/2012)
 - Total of \$1,440,000 in special public improvements/contributions

- PCP district
 - 2 total project since initiation of bonus provision (12/2013)
 - Total of \$969,000 in special public improvements/contributions

- PRC district
 - 2 total projects since initiation of bonus provisions (1/2014)
 - Scottsdale Quarter utilized bonus provisions for height and FAR



SPECIAL IMPROVEMENTS BONUSES

Projects that have utilized bonus provisions

- Industry East (6-ZN-2012)
 - 70 feet of height (20 foot bonus), FAR of 2.08 (0.28 FAR bonus), & 59 du/acre (9 du/acre bonus)
 - \$249,000 in special improvements, including offsite 12-inch sewer line, pedestrian lighting, wider sidewalks, seating and maintenance

- Industry West (7-ZN-2012)
 - 70 feet of height (20 foot bonus), FAR of 2.13 (0.33 FAR bonus), & 59 du/acre (9 du/acre bonus)
 - \$230,000 in special improvements, including undergrounding powerlines, offsite pedestrian lighting, wider sidewalks, seating and maintenance



SPECIAL IMPROVEMENTS BONUSES

Projects that have utilized bonus provisions

- Hewson Investments/Envy (16-ZN-2006#2)
 - 90 feet of height (40 foot bonus), FAR of 3.73 (1.93 FAR bonus), & 115 du/acre (65 du/acre bonus)
 - \$880,000 in special improvements, including offsite 12-inch sewer & water lines, pedestrian lighting, wider sidewalks, maintenance and contribution towards future improvements in the area

- Residences at Scottsdale Quarter (12-ZN-2012)
 - 90 feet of height (30 foot bonus) after meeting criteria

- Scottsdale Quarter – Phase III Blocks L & M (18-ZN-2013)
 - 90 feet of height (30 foot bonus) and FAR of 1.0 (0.2 FAR bonus) after meeting criteria



SPECIAL IMPROVEMENTS BONUSES

Projects that have utilized bonus provisions

- Impact Church / Sunrise Commons (19-ZN-2013)
 - 65 feet of height (11 foot bonus) and FAR of 0.82 (0.02 FAR bonus)
 - \$100,000 in special improvements through public art contribution

- Bahia Work Live Play (14-ZN-2014#2)
 - FAR of 1.2 (0.4 FAR bonus)
 - \$869,000 in special improvements, including participation in IGCC and \$400,000 public art contribution



SPECIAL IMPROVEMENTS BONUSES

Projects that have utilized bonus provisions

- Shoeman Office Building (7-ZN-2015)
 - 90 feet of height (30 foot bonus) and FAR of 1.82 (0.42 FAR bonus)
115 du/acre (65 du/acre bonus)
 - \$685,000 in special improvements, including offsite curb, gutter, driveway improvements, pedestrian lighting and seating, wider sidewalks, maintenance and contribution towards future improvements in the area totaling \$269,000

- WaterView Mixed Use Development (19-ZN-2015)
 - 90 feet of height (24 foot bonus) and 54.2 du/acre (4.2 du/acre bonus)
 - \$366,000 in special improvements through undergrounding of offsite 69kv powerlines



SPECIAL IMPROVEMENTS BONUSES

Projects that have utilized bonus provisions

- Scottsdale Osborn (12-ZN-2016)
 - 57.24 du/acre (7.24 du/acre bonus)
 - \$388,000 in special improvements through public art contribution



SPECIAL IMPROVEMENTS BONUSES

Planned Block Development Overlay District (PBD) - formulas

- Cultural Improvements
 - Bonus = $[C_c \text{ divided by } (1.035^{(CY-2013)})]$ times 0.0001
- Workforce Housing
 - 12 feet of bonus height for each 10 % of dwelling units as workforce
- Open Space
 - 1 square foot of floor area per every 4 feet of extra open space
- Compliance with IGCC
 - 15 feet of bonus height with demonstration of compliance
- Special Improvements
 - Bonus = $[T_{CE} \text{ divided by } (1.035^{(CY-2013)})]$ times 0.0001



SPECIAL IMPROVEMENTS BONUSES

Possible direction:

- Eliminate certain elective paths for achieving bonuses; and/or
- Increase scrutiny in any of the elective paths to achieve bonuses; and/or
- Create a specific path for achieving bonuses, similar to PRC; or
- Leave existing bonus achievement methods in place.



CULTURAL IMPROVEMENTS PROGRAM

Possible direction:

- Increase the contribution requirement for all new PBD/PCP developments utilizing bonuses; and/or
- Decrease the contribution requirement for all new PBD/PCP developments utilizing bonuses; and/or
- Modify requirements of placements of art; and/or
- Modify requirements for allocation of in-lieu funds; or
- Leave cultural improvements bonus provisions as is.



SPECIAL IMPROVEMENTS BONUSES

PBD	PCP	PRC
5 ELECTIVE PATHS <ul style="list-style-type: none"> ○ Additional public art ○ Workforce housing ○ Open space ○ Compliance with IGCC ○ Special improvements 	11 ELECTIVE PATHS <ul style="list-style-type: none"> ○ Right-of-way dedication ○ Major infrastructure ○ Public parking ○ Public gathering spaces ○ Public art ○ Enhanced transit amenities ○ Pedestrian amenities ○ Solar energy systems ○ Landscape conservation systems ○ Electric vehicle charging ○ Compliance with IGCC 	7 REQUIREMENTS <ul style="list-style-type: none"> ○ Integrated mixed-use ○ 5% non-residential min. on ground floor ○ Min. 20% residential ○ Additional 5% of open space ○ Additional setbacks ○ Underground or screened parking ○ Compliance with IGCC

SPECIAL IMPROVEMENTS BONUSES

Examples



Stetson/Civic Center intersection



Civic Center Plaza



SPECIAL IMPROVEMENTS BONUSES

Examples



Indian Plaza/Civic Center intersection
Before



Indian Plaza/Civic Center intersection
After





SCOTTSDALE
ART AUCTION

7176 Main Street • Scottsdale, AZ 85251 • (480) 945-0225 • www.ScottsdaleArtAuction.com

May 30, 2017

Hello City Council Members,

Please let me start with thanking you all for your time, service and consideration.

I am a third generation Arizonian. My wife, Jinger and I opened Legacy Gallery 29 years ago and Scottsdale Art Auction 13 years ago. We are asking you to support the Transaction Privilege Tax Exemption for Fine Art Sales to non-Arizona Residents to conform with Arizona House Bill 2536.

Scottsdale Art Auction in it's first 10 years has done over \$100 million in sales and has brought in thousands of art collectors to view, bid and purchase art. We average each year between 200 and 300 bed nights which means tax revenue to the City of Scottsdale. We are simply asking for the same exemption the State has granted. Due to the 1.65% city tax, our customer have told us they will not attend the auction for this reason. We would much rather have them in the room, viewing the artwork and getting caught up in the excitement. Being in Scottsdale means they are paying bed tax, rental car tax and frequenting all the restaurants.

One example in particular was from our auction in April of 2011. We had a customer attend the auction and purchase 1.5 million dollars worth of art which he then had shipped to his home in Texas. We charged him the 1.65% city tax since he was in the room bidding which totaled \$25,006.16. He was so upset he said he would never attend our auction again and unfortunately he has kept his word. He has still purchased art in excess of a million dollars since, but via the phone only. This couple was accompanied by another couple that spent \$412,000 (\$6,689.51 in city tax) and they promised the same thing. These are the type of people we want visiting our city. We absolutely do not want to detour them from coming in any way.

In addition to the auction, Legacy Gallery spends hundreds of thousands of dollars on advertising to encourage buyers to visit our city and our gallery. We hold special shows and spend tens of thousands of dollars on refreshments and entertainment to create an atmosphere worth attending. The City Tax has been a huge hurdle for us from the beginning.

Thank you again for all you do. Please accept this as our formal plea to support the Amendment to the Local Transaction Privilege Tax Exemption for Fine Art Sales to conform to the Arizona House Bill 2536.

Thank you,

Brad & Jinger Richardson

Legacy Gallery and Scottsdale Art Auction

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